



## Iowa Department of Revenue

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### **\*\*\*SALES AND USE TAX PERMIT HOLDER UPDATE\*\*\***

Dear Permit Holder:

Effective **July 1, 2008**, Iowa's sales and use tax rate will change from 5% to 6%. In addition, Iowa's school local option (SILO) sales tax will be discontinued. "Regular" local option sales tax (LOST) will continue where applicable. Below are answers to questions we have been receiving.

#### **Who will be affected by this change?**

All Iowa sales and use tax permit holders, both in-state and out-of-state.

#### **Are there any exceptions to the change?**

Yes, the state sales tax rate for some items will remain at 5%:

- Hotel, motel, and bed and breakfast room rental. Local hotel-motel tax still applies. (See our Web site at [www.state.ia.us/tax/educate/HotelMotelTax.html](http://www.state.ia.us/tax/educate/HotelMotelTax.html))
- Sales of certain construction equipment (See our Web site at [www.state.ia.us/tax/educate/constrequip.html](http://www.state.ia.us/tax/educate/constrequip.html))
- Short-term vehicle rental: Sales tax will be 6%. Auto rental tax will remain at 5%.

#### **What will change when I file my return?**

- The return on eFile & Pay will be updated to accommodate the exceptions listed above.

#### **What will not change when I file my return?**

- You will still need to track and report all sales by county.

#### **When will these changes take place?**

- The law goes into effect **July 1, 2008**.
- The eFile & Pay system will be updated as soon as possible.

#### **Where can I learn more?**

- Sign up to receive free e-mail updates (eLists) at <http://elists.idrf.state.ia.us/scripts/wa.exe>. Subscribe in the General Business Tax category.
- Go to [www.state.ia.us/tax](http://www.state.ia.us/tax)
- E-mail us at [idr@iowa.gov](mailto:idr@iowa.gov)
- Phone us at 1-800-367-3388 (toll-free, Iowa only) or 515-281-3114